



Connection

THE MID-ATLANTIC CHAPTER ESOP ASSOCIATION NEWSLETTER

December 2006

President's Message

It seems appropriate at this time to discuss the effect of legislation on our retirement, and specifically how the most recent mid-term congressional elections will play out.

We don't often put two and two together regarding many aspects of our lives and how they are shaped by Washington. We sort of do, but not often, and usually not about things that are really far reaching such as our retirement accounts. I'll tread into sensitive territory here, and say that we are more likely to become incensed in different ways over other issues than over our retirement. Yes, right to life issues are important to discuss, but are far less likely to directly affect us. We all intend to retire, and with the marvels of modern medicine, we are much more likely to do so than our ancestors.

Now please don't cast me as insensitive, I only wish to shed some light on our general indifference to the political process. Things are happening ever more rapidly in our lives and we tend to set aside things that are over complicated, but rest assured things are happening just as rapidly in D.C. Before you know it, your carefully laid plans for retirement could easily be laid waste. So let's take a quick look at what happened on November 7, 2006.

Our recently anointed "ESOP Champion," Nancy Johnson (R-CT-5th) was unfortunately defeated by her Democratic challenger. Nancy was a prime mover of pro-ESOP legislation, having sponsored H.R. 3111. However, using that bill as an indicator, we didn't fare too terribly as most of the co-sponsors were either re-elected or not up for election this year. A positive note is that all of the Virginia co-sponsors were re-elected. The big losses were the aforementioned Ms. Johnson, and one co-sponsor, Mark Foley of FL (nuff said about him).

In the Senate, the companion bill S.1319 only had four co-sponsors. One of those, however, was Virginia Senator George Allen, who was also defeated by his Democratic challenger. Senator Allen was, like Ms. Johnson, one of the few voices willing to be heard in favor of employee ownership.

I'm afraid we may be starting over again in our legislative efforts. We will need to forge new partnerships with all of our representatives and senators. We need people willing to step forward and sponsor pro-ESOP legislation even in the face of negativism from both the judicial branch and the President's Tax Commission. The Democratic majority itself isn't a hindrance because, if there ever was such a thing, employee ownership would have to be considered a non-partisan issue. But we must find some new flag bearers in both houses of Congress in order to move forward.

Keith Robertson
President, Mid Atlantic Chapter



Mark your calendars for the Half Day Conference April 13, 2006 in Charlottesville and a breakfast meeting in Tysons Corner on January 18 (contact Tom Roback).

High Grades for ESOP University



ESOP University:
Learning to Make a Difference

Charlottesville, VA, October 26...The Mid-Atlantic Chapter (MAC) of the Employee Stock Ownership Plan (ESOP) Association held its 13th annual conference titled *ESOPs: Learning that Makes a Difference* and had record attendance.

The 135 conference attendees were greeted by the Three Stooges cutout in their caps and gowns and the John (Blutarsky) Belushi poster as they headed into the main ballroom.

Following breakfast, MAC President Keith Robertson greeted the group in his gown and recognized our conference sponsors. ESOP Association President Michael Keeling then spoke on current developments in Washington, DC, such as the election and the Pension Protection Act.

Students attended class periods including "Basic Accounting" about ESOP administration, "MacroEsoponomics" on ESOP distributions, and "PoliSci /Government" dealing with laws and regulations. Other quick-paced class periods discussed fiduciary duties ("Business Law"), communication ("Music Theory" and "Theatre"), valuation ("Prob & Stat"), ESOP basics ("ESOP 101"), and for those that couldn't get enough, ESOP Study Hall.

Flying in that day from parts New England to be our luncheon speaker was Steve Voigt, CEO of King Arthur Flour and Chair of The ESOP Association. After a delicious lunch, Steve provided an entertaining presentation on the history of his company and its commitment to quality. In connection with the company's compensation programs, it was observed that a lot of dough was distributed. Steve also brought a loaf of fresh bread for slicing.

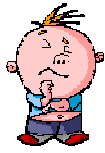


We remained in the main ballroom after lunch for P.E. with Don Taylor (left) and Dick Duffy. Don encouraged the group in his ESOP ditty that seemed to have lines like "Give me some diversity, who's an ESOP fiduciary! Sound off 1, 2!" Then it was time for the table questions and the sharing of experiences.

This was followed by one more breakout session and then the famous MAC version of Employee Ownership Foundation (EOF) raffle. The big prizes this year were a video ipod, portable DVD player, digital camera, and deluxe George Foreman grill. Several sponsors also contributed their own giveaways. The raffle raised just over \$600 and, combined with the sale of ESOP bracelets and ACC pennants, an astounding total of \$869 was raised! Those buying \$5 or more of raffle tickets also could receive ESOP T-shirts, ESOP books, or squeeze balls while supplies lasted. Everyone who bought a ticket deserves a hand.

High grades for ESOP Conference (cont.)

Thanks to all our great speakers and our Chapter Administrator Deb Tompkins for making the event a success. See everyone next year!



**Paul
Opines**

The proof is in the pudding.

Pudding is an interesting – albeit tasty -- place to find proof. However, I bet few detectives or mathematicians have found answers to unsolved crimes or complex theorems in this creamy dessert.

The meaning of the phrase becomes clearer through its derivation and origins. According to Bartlett's Familiar Quotations, the phrase dates back to at least 1615 when Miguel de Cervantes in his famous novel *Don Quixote* stated, "The proof of the pudding is the eating."

Over the years, the phrase has contracted to its present form but still means that a thing's true value only can be evaluated when put to use. In other words, results are what count. The pudding may look good, but more importantly -- it better taste good.

So what is the proof of the pudding for ESOP companies?

A sophisticated palate may be required to recognize all the ingredients. One could point to a rising share price but the share price is really the resulting flavor – like chocolate or tapioca. The ingredients of the employee-ownership recipe are what create the rich taste and flavor.

Unlike the formula for Coke, the ingredients for ESOP success are not secret. They are fairly simple, yet often overlooked. Here is one recipe that ESOP master chefs use with success.

Take employees.

Provide competitive pay, benefits, and incentives.

Add training, tools, and career advancement opportunities.

Mix thoroughly with a flexible and collegial work environment.

Let sit for just five minutes.

Employees quickly rise to occasion and provide great customer service.

When employees provide superior customer service, outstanding results and the rest will follow -- and be *more* than just gravy. Just remember, don't put that gravy on your pudding.

Paul Horn

*ESOP
Association
President
Michael
Keeling with
Dick Duffy
and Jeff
McCartney at
the Annual
Conference.*



You Deserve Recognition-Here's How to Get It

By Carolyn Zimmerman

For many years The ESOP Association has been recognizing outstanding examples of employee ownership. Both a member company and an employee of a member company are honored every year at the National Conference for their commitment to ESOPs and the employee ownership movement. The national winners are selected from the Chapters' members who won ESOP Company of the Year (ECOY) and Employee Owner of the Year (EOY).

It is a significant honor to win the Chapter award. Winners at the Chapter level receive the following:

Recognition at Chapter conferences

Recognition in Chapter and National newsletters

Permanent plaque engraved with name, award and year

One free registration to TEA's upcoming National Conference in Washington, DC

The National Company of the Year also receives recognition in The ESOP Report and a special recognition plaque. The National Employee Owner of the Year receives a second free registration to the Annual Conference in D.C. (for the Conference in the following year) plus a \$1,000 Charles Edmunson scholarship.

How can you make this recognition occur for your company or for one of your employee owners?

The Mid-Atlantic Chapter will be receiving entries for both ECOY and EOY from now until mid January 2007. The awards will be made at our spring half-day conference on April 13, 2007. This is your chance to tell the world of your company's and your employees' commitment to employee ownership.

In the case of nominations for EOY, if you are not sure whose name should be submitted from your company, try a contest. You may be surprised at how willing your employees are to recognize one of their own. Ask employees to submit the name of one of their colleagues who might merit the EOY title and why that person should be nominated. Be sure they have the criteria for the award, so the nominations are complete. If you get more than one qualified entry you can: a) have your ESOP Committee make the selection; b) have your HR department make the selection; or c) put it to a vote. The contest will encourage employees to think of themselves and their co-workers as employee owners as well as of the contribution each is making to the company.

Former Chapter EOYs include Brandi Garrett, Flippo Construction (2006), Jeff McCartney, Social and Scientific Systems (2005), Mike Nesselrodt, ComSonics (2004), Craig Roher, Tricon Construction (2003), Patricia Caldwell, Social and Scientific Systems (2002), and Keith Robertson, ComSonics (2001). Keith was also named National Employee Owner of the Year in 2001.

When it comes to nominating your own company—or another company—for ECOY, a contest can work also. In this case, you might offer a prize for the winning entry, to be decided in the same manner as EOY.

Former Chapter ECOYs include ComSonics (2006), Gala Industries (2005), CALIBRE (2004), Social and Scientific Systems (2003), KCI Technologies (2002), and Creative Direct Response (2001).

Remember, if you don't enter you can't win the recognition you deserve! Let's give the other Chapters a run for their money in the competition for ESOP Company of the Year, and Employee Owner of the Year. Start your contests now. If have questions or need help, call Paul Horn at (703) 968-5008 or Carolyn Zimmerman at (540) 672-7841.



Dr. ESOP

Dear Dr. ESOP:

After our company went ESOP, I was told I was now an owner. Of course, I was very excited but when I asked to attend the shareholder's meeting or vote for the Board of Directors, the answer was no. I also asked to increase my pay and that request similarly was denied. So what am I the owner of?

Sincerely,

Miffed in Maryland

Dear Miffed in Maryland:

So what's in a word? A great deal if it's an important term like owner. It's critical that your company clearly define what "ownership" means. Otherwise, our favorite term from Org Behavior 101, "cognitive dissonance," can creep into the work atmosphere.

In some ESOP companies, ownership means the beneficial interest you have in the shares held in your account under the ESOP trust. The ESOP trustee is the shareholder, not you, but you "own" the right under the terms of the ESOP to a future distribution of the shares in your account or their equivalent fair market value. In other words, you have a right to the future appreciation (as well as depreciation) in the value of the shares allocated and vested in your account.

Ownership also can mean that your ESOP account will share proportionately in any dividends (or distributions in the case of S Corps.) paid by the company to its shareholders.

In other ESOP companies, ownership may have more of the rights associated with being a typical shareholder. You may be able to vote for the Board of Directors or attend shareholder meetings. In lieu of attendance at shareholder meetings, some companies conduct presentations at all office locations that resemble an annual report.

Moving away from the shareholder concept, ownership also can mean you have the appropriate level of control over your work environment to function effectively. Processes such as "open book management" are information tools commonly used to enhance communication, productivity, and job satisfaction.

In all events, we are aware of few situations where ownership at an ESOP company means you can set and increase your own pay. To do that, you'll need to become a consultant or a doctor like me. Come to think of it, the insurance companies tell me what I can charge.

Sincerely,

Dr. ESOP

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This way to ESOP U



Welcome New MAC Members 2006*

CORPORATE MEMBERS

Chris Smith, Chemonics International Inc. Washington, D.C.

PROFESSIONAL MEMBERS

Kathleen Counts, Citigroup/Smith Barney ESOP Advisory Group, Washington, D.C.

Carolyn Armbrust, Willamette Management Associates, Westport, CT,

Keith Apton, Morgan Stanley, Washington, DC

** Please let us know if we missed you.*

Contact:

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